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SUBJECT: MALAWI - CHINA'S ENGAGEMENT IN AFRICA

¶1. (SBU) Summary: Per reftel request, the following information is provided for preparation of U.S.-China policy dialogues. China and Malawi established formal diplomatic relations a mere four months ago and engagement between the U.S. and Chinese Missions has so far been limited. China has already taken over many commitments previously funded by Taiwan through an announced \$259 million USD aid package, composed of a mixture of grant and "soft credits." Among the focus areas are the construction of the Karonga-Chitipa road and a new parliament building, funding for defense cooperation, and school construction. Potential areas of Sino-U.S. cooperation and coordination in Malawi are defense equipment and training, health care system strengthening, agriculture, and infrastructure development. End Summary.

Focus Areas of Chinese Engagement

¶2. (U) China and Malawi signed a memorandum of understanding establishing formal diplomatic relations on December 28, 2007. The signing ended 42 years of Malawian relations with Taiwan. As part of the agreement, China agreed to take over funding many, but not all, of the activities that Taiwan previously supported. In March 2008, President Mutharika made a state visit to China and officially opened Malawi's embassy in Beijing. Upon his return, he detailed a \$259 million USD aid agreement that was signed during his trip.

¶3. (U) The \$259 million USD addresses four main focus areas:

- \$80 million USD for construction of the Karonga to Chitipa road in northern Malawi and completion of construction of the Parliament building in Malawi.
- \$3 million USD for defense and security cooperation.
- \$1.4 million USD for construction of two rural schools under the Africa/China Forum program.
- \$175 million USD for concessionary loans over a five-year period for other priority projects.

Additionally, China has offered 12 scholarships to Malawian students to study at Chinese universities.

¶4. (U) The Karonga-Chitipa road and Parliament building construction were projects originally funded by the Taiwanese. Taiwan was previously the largest bilateral donor for equipment support to the Malawi Defense Force. Taiwan was also a major contributor to health care and agriculture projects, most notably the funding, staffing, and operations of Mzuzu Central Hospital, the main referral hospital for the Northern Region of Malawi, projects that have so far not been picked up by the Chinese.

¶5. (SBU) There is no indication yet of what projects will be supported by the "soft" loans that make up the bulk of the announced aid package, but public discourse here refers to a new stadium, a conference center, a "five star hotel," the proposed "University of Southern Malawi" (in the President's home area), and other such traditional Chinese buildings in Africa. So far, the two firm

projects, the road and the Parliament building, have not moved forward. Paladin Mining, which is working at full speed on the Kayalekera uranium mine on the road between Karonga and Chitipa, reports that they have not seen any sign of activity on the road since the Taiwanese left in January and that they have begun their own works to "straighten out some of the kinks" to enable the large number of heavy trucks supporting the mine to travel on it.

¶16. (SBU) Last week, the government of Malawi gave notice of termination to the Malawian consortium which was building the National Assembly structure, but the Malawian group has not surrendered the site, though they have laid off the 600 Malawians who were working there. They do not know whether any of these workers will be re-employed when the Chinese take over the project. The contractors have told the government that they will only hand over the site when they are paid the very substantial sum (in the millions of dollars, still being calculated) that is due under the liquidated damages clause of the contract, as in their view the cancellation was for the government's convenience. No one in government seems to have noticed the liquidated damages clause when the project's support moved from Taiwan to China.

Current Cooperation between US and China Missions

¶17. (SBU) The Chinese are the newest embassy to open in Lilongwe, and until recently have been operating out of a hotel. China's primary focus has been to open up their temporary embassy and other offices while they find and secure a location to build a permanent embassy. China sent a senior officer (former Ambassador to Uganda) as CDA to open the mission, but he has since returned to China, leaving the mission under the control of a more junior officer. The mission is still operating out of temporary quarters and awaiting its ambassador. As such, there has been little engagement or

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cooperation between the missions. The multi-lateral Heads of Mission group, which we chair at the moment and which consists of all Heads of Missions of foreign aid donors in Malawi, has invited the Chinese to join the group, but there has been no response to our letter.

Potential Areas of Bilateral Cooperation

¶18. (SBU) Defense, health care, agriculture, and infrastructure are the most likely areas of bilateral cooperation with the Chinese in Malawi. The Mission previously worked with Taiwan on defense issues and coordinated training and equipment support for the MDF's planned deployment to Darfur. The Ministry of National Defence asserts that the announced contribution to defense cooperation is expected to be used for equipment purchases associated with the Darfur deployment.

¶19. (SBU) The U.S. Centers for Disease Control (CDC) also previously coordinated with Taiwan on health care system strengthening and HIV/AIDS treatment issues. There is hope that China will be interested in taking over the lead role Taiwan previously played in the North. Additionally, Malawi has engaged both the U.S. and China CDCs about assistance in creating a National Public Health Institutes which would be modelled on the CDC. The former Malawian Minister of Health made a trip to China to study how the Chinese CDC operated.

¶10. (SBU) The Chinese have already shown an interest in purchasing agricultural commodities from Malawi and could be engaged on agricultural projects concerning crop diversification, irrigation, and introduction of environmentally-friendly technology. Given what seems to be a focus on infrastructure, we expect that will be the emphasis in the first several years of China's program.

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